

TAX TIPS FOR MOTOR VEHICLE DEALERS CONDUCTING BUSINESS IN DELAWARE

Things You Should Know

Definition 30, Del. C., Ch. 23, 29, 30 and 43

Motor vehicle dealer includes every person in the business of buying, selling or trading new or used motor vehicles, trailers, truck trailers or motorcycles.

Taxable Basis

Every motor vehicle dealer is liable for a motor vehicle handling fee of \$2 on the sale of each new or used motor vehicle, trailer, truck or motorcycle sold to the owner thereof. The motor vehicle dealer handling fee is not imposed on the sale, transfer or registration of motor vehicles, trailers or motorcycles which are transferred for the purpose of resale. While these sales are exempt from the motor vehicle handling fee, such sales are subject to the wholesaler license fee and gross receipt tax.

Other Gross Receipts

Motor vehicle dealers generally provide other services associated with the sale of an automobile; including servicing, financial arrangements and insurance placement. Except as provided by statute, the receipts attributable to these services are subject to gross receipts taxation. Please refer to the following table on the last page as a guide concerning the appropriate gross receipt liability.

Gross Receipts

~~Gross receipts includes~~**Gross receipts include** total consideration received by a motor vehicle dealer for all goods sold or services rendered within the State. Consideration for goods sold or services rendered includes cash, checks, credit cards, gift certificates, travelers checks, money orders, barter, trade-ins, manufacturer's coupons and factory rebates and any other consideration of any kind.

Gross Receipts Do Not Include:

- Returned merchandise or like kind exchanges
- Certain sales to the State of Delaware which are administered by the Department of Administrative Services

Gross Receipts May Not Be Reduced By:

- Cost of property sold
- Cost of material and/or labor
- Interest, discount or delivery costs
- State or Federal taxes

License and Gross Receipts Requirements

A motor vehicle dealer is required to obtain a business license -- \$100 -- which must be renewed on or before **December 31** of each year. Separate business licenses are required for the activities described on the last page. Gross Receipts should be filed on-line or with a paper form. Both can be accessed from our website at www.revenue.delaware.gov To register with the Division of Revenue and obtain a business license, please complete a Combined Registration Application and mail to the Division of Revenue with the appropriate fee or file-online using OneStop. Both can be accessed from the link above.

Tax Rates, Exclusions and Due Dates

Sample Taxable Basis

Motor Vehicle Dealer	Vehicles Sold	350	x	\$2.00	=	\$	700
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Due Dates of Returns

Licenses will file on a quarterly basis. The due date for each quarterly return is the first of the second month following the end of the quarter. For example first quarter ends on March 31st so the quarterly return would be due on the 1st of May which is the second month after March.

Gross Receipts Return Due Date

If no motor vehicles are sold during any of the calendar quarters of the tax year, the quarterly returns for the entire year can be filed at the end of the calendar year and received by the Division of Revenue by February 1st of the following year. If cars are sold during any calendar quarter, a return must be filed by the due date after the end of that quarter.

Gross Receipts Tax Exemption

Gross receipts (and for purposes of the tax imposed by Chapter 43, Title 30 of the Delaware Code “rent” and “lease rental payments”) from transactions between related entities are not subject to gross receipts tax. For this purpose, entities are “related” only if (i) the same five or fewer natural individuals own, directly, indirectly or beneficially, 80% or more of each entity, or (ii) 100% of each entity is owned by member or members of a single family. See Section 2210(b) of Title 30 of the Delaware Code for further details, including the definition of family member for purposes of this exclusion.

Common Ownership/Direction

A business that operates through more than one branch or legal entity is only entitled to one monthly or quarterly exclusion from gross receipts, if the branches or entities making up the enterprise have common ownership or common direction and control.

Regulatory and Local Requirements

The Business License Issued by the Division of Revenue is not a regulatory license and the issuance of such license does not attest to the qualifications of the applicant to perform the activity described on such license. Many local jurisdictions have requirements for a business license and may have restrictions concerning the locations of conducting the referenced business activity. Please check with the local government office in the town, city or county in which you will conduct your business.

The State of Delaware also has a Division of Professional Regulations. Many occupations and some types of equipment have regulatory requirements. Please contact the Division of Professional Regulation for more information.

General

If you have any questions, please contact one of the following offices:

<i>Wilmington</i>	<i>Dover</i>	<i>Georgetown</i>
Division of Revenue Carvel State Office Building 820 North French Street Wilmington DE 19801 (302) 577-8205	Division of Revenue Thomas Collins Building 540 South DuPont Highway Suite 2 Dover DE 19901 (302) 744-1085	Division of Revenue 20653 Dupont Blvd Suite 2 Georgetown DE 19947 (302) 856-5358

or by e-mail at: rev_busaudit@delaware.gov or 302-577-8662

File Gross Receipts On-line:

www.grossreceiptsfiling.delaware.gov

or

Print an Interactive Gross Receipts Coupon:

[http://www.revenue.delaware.gov/services/Business Tax/Forms New.shtml#gr](http://www.revenue.delaware.gov/services/Business_Tax/Forms_New.shtml#gr)

REQUIREMENT FOR OTHER BUSINESS LICENSES

TYPE OF ACTIVITY	BASIC LICENSE FEE	ADDITIONAL FEES/GROSS RECEIPT PAYMENT
Sale of motor vehicles, trailers or motorcycles to the owner thereof.	Motor Vehicle Dealer \$100 Annual.	Motor vehicle handling fee; \$2 per vehicle. No exclusions. Payments are due quarterly on the first day of the second month following the close of the quarter.
Sale of motor vehicles, trailers, motorcycles and parts physically delivered within Delaware for the purpose of resale.	Wholesaler \$75 Annual <u>for each place of business.</u>	Wholesaler gross receipts tax 0.40233983% (0.004023003983). <u>Additional tax of 0.2489% for receipts from sale of petroleum products-</u> \$100,000 monthly exclusion. Payment due monthly. or quarterly <u>(Payment due quarterly under certain conditions.)-</u>
Sale of parts to the ultimate consumer.	Retailer \$90 Annual <u>(includes Retail Crime Fee).</u> <u>\$25 Annual for each additional branch or business location.</u>	Retailer gross receipts tax 0.75437468% (0.007543007468). \$100,000 monthly exclusion. <u>(Payment due quarterly under certain conditions.)</u> Payment due monthly or quarterly.
Repair/Service, Loan Placement and Warranty Income.	General Service \$75 Annual.	General service gross receipts tax, 0.40233983% (0.004023003983). \$100,000 monthly exclusion. <u>(Payment due quarterly under certain conditions.)</u> Payment due monthly or quarterly.
Motor Vehicle Leasing.	Lessor of Tangible Personal Property \$75 Annual. <u>\$25 Annual for each additional place of business within the State.</u>	Lessor gross receipts tax, 0.30172987% (0.003017002987). \$100,000 quarterly exclusion. Plus collection of 2.01141.9914% (.020114019914) use tax from lessee. Payment due quarterly.
Insurance Placement Fee.	No Revenue License Required.	Exempt from General Service requirements provided dealer is licensed as an insurance agent or broker under Title 18 of the Delaware Code; otherwise included with general service gross receipts.
Dealer Financing of Vehicles.	Finance or Small Loan Agency \$450 Annual. <u>Does not include banks or trust companies established under Title 5.</u>	A finance or small loan agency is exempt from paying gross receipts tax on finance charges.

For Delaware Department of Motor Vehicle Dealer Information, Call (302) 739-4465

File Gross Receipts On-line:
www.grossreceiptsfiling.delaware.gov

or

Print an Interactive Gross Receipts Coupon:
http://www.revenue.delaware.gov/services/Business_Tax/Forms_New.shtml#gr